

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SOUTH CENTRAL RURAL TELEPHONE)	
COOPERATIVE CORPORATION, INC.'S)	
PROPOSED OPTIONAL EXPANDED)	CASE NO. 96-575
EXTENDED AREA CALLING SERVICE)	
AND GENERAL RATE REDUCTION)	

O R D E R

On November 1, 1996, South Central Rural Telephone Cooperative Corporation, Inc. ("South Central RTCC") filed revised pages in Sections A, C, and S of its General Subscriber Services Tariff. The purpose of the filing is to obtain Commission approval for the provision of Optional Expanded Extended Area Service ("Call-Extend Plan") and the implementation of a general rate reduction of \$2.00 per month per access line for residential and business customers. Under the Call-Extend Plan, South Central RTCC's full local calling area will consist of its existing local calling area plus the expanded calling area that is described in its tariff. South Central RTCC plans to implement the new calling areas and the general rate reduction on January 1, 1997.

The Call-Extend Plan enables customers to call any location in the expanded local calling area for a flat rate of \$5.00 per month in addition to the basic local exchange rate. Customers not selecting the Call-Extend Plan will continue to be charged for calls to that area at tariffed toll rates.

The Commission has had a longstanding practice of approving expanded calling plans of this nature when certain conditions are met. First, the plans must encompass a community of interest and there must be adequate customer demand for the service. Second, the pricing of the service must be such that it is revenue neutral and does not affect the rest of the general subscribership through revenue shortfalls or excessive profits of the utility.¹

South Central RTCC states that the expanded calling area in the affected exchanges reflects their communities of interest and there is a significant demand from those customers. South Central RTCC's proposed tariff for the Call-Extend Plan contains rates that have been designed to be revenue neutral based on an expected stimulation of demand and is projected to reduce South Central RTCC's revenues by \$151,680. Therefore, the Commission will require South Central RTCC to file a report on its actual results for the first 12 months, and if necessary, the Call-Extend Plan should be required to be revenue neutral. In addition, the Commission finds that South Central RTCC should adhere to the guidelines discussed in Case No. 91-250.²

Thus, the Commission finds that the proposed tariff should be approved.

¹ Administrative Case No. 285, An Investigation Into the Economic Feasibility of Providing Local Measured Service Telephone Rates in Kentucky, Order issued October 25, 1990.

² Case No. 91-250, South Central Bell Telephone Company's Proposed Area Calling Service Tariff, Order issued April 9, 1992.

The general rate reduction of \$2.00 per access line will reduce revenues by \$587,520 and will not impair South Central RTCC's financial condition. Therefore, this general rate reduction should be approved.

IT IS THEREFORE ORDERED that:


1. South Central RTCC's proposed tariff to implement its general rate reduction of \$2.00 per access line for residential and business customers is approved for service rendered on and after January 1, 1997.

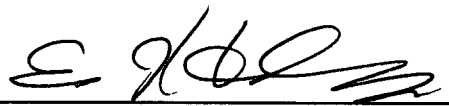
2. South Central RTCC's proposed tariff to implement its Optional Call-Extend Plan on a flat-rated basis is approved for service rendered on and after January 1, 1997.

3. South Central RTCC shall gather 12 months of company-specific data as necessary to demonstrate the reasonableness and accuracy of its forecasts for its Optional Call-Extend Plan. South Central RTCC shall file this information with the Commission by March 31, 1998. South Central shall also submit any proposed changes to the Optional Call-Extend Plan rates to bring the revenue impact into compliance with the Commission objective of revenue neutrality.

Done at Frankfort, Kentucky, this 16th day of December, 1996.

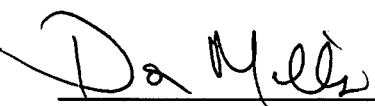
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director